

Revised Tax Credit Focused on Families with Children in Deep Poverty

Description: This is an extremely focused and efficient credit designed to end deep poverty (as measured by the California Poverty Measure) in California.

How would the credit be calculated? Three main steps:

- Low-income families with dependent children under age 18 would file an income tax return with information on: (1) income from all sources, including federal/state/local public assistance payments such as CalWORKs, CalFresh, SSI/SSP, childcare subsidies, and housing subsidies; (2) unreimbursed expenses for specific items, including childcare and medical costs; (3) their family size and number of dependent children under 18; and (4) their address.
- Once that information is submitted, the California Franchise Tax Board (FTB) would determine the deep poverty threshold, as measured by the CPM, based on the information provided on the return regarding family size and place of residence.
- The FTB would then compare the deep poverty threshold to the family's net income and make a payment to the family equal to the gap. (Most of the income would be verifiable from administrative records.)

Coordination with other public payments. This credit is highly targeted on families that receive either limited or no benefits from other federal/state/ and local programs. In this regard, it coordinates well with other benefit programs, in that eligibility for this credit is determined after accounting for all other public assistance and earned income.

Who would get the credit? Many of the families receiving this credit are wholly or partly disconnected from existing public benefit programs because of citizenship status, parents having been timed out of eligibility, or other factors. Some families living in areas with extremely high rents also may be eligible, even though they receive full-scale public benefits. This is because, while there is some variation in public benefits based on cost-of-living in different counties, the variation may not be sufficient to boost some families out of deep poverty (as calculated by the CPM) in high-cost areas of the state.

Overall, there are approximately 220,000 families with dependent children in deep poverty and hence eligible for this credit. Of this total, about half (110,000) are currently receiving no cash assistance benefits through CalWORKs or the federal/state EITC program. The rest are receiving some benefits, but not enough to raise them out of deep poverty.